



## The Virginia Board of Accountancy

# ADVISOR

Serving Virginia's Citizens  
since 1910

### New Ethics CPE for CPAs and Non-CPA Owners

A portion of the Board of Accountancy (Board) emergency regulations became effective on December 15, 2003. The revised regulations contain several major changes. One of those changes requires every Virginia licensed CPA, to complete two (2) hours of Ethics CPE covering the standards of conduct and Virginia Code provisions and regulations governing the practice of accounting by CPAs.

The Board, as it began the process of determining the need for Ethics CPE, read and listened to comments over a one-year period. Careful consideration was given to all views. Some expressed opinions that "ethics" cannot be taught—that you are either ethical or you are not. Others suggested that unethical behavior is a problem in the accounting profession and that efforts must be made to remedy the situation. In addition to issues relating to the standards of conduct, it had become obvious to the Board that many CPAs are not aware of the provisions in the statute and regulations that govern CPAs' practice, which leads to unintentional violations.

The Board concluded that an annual Ethics CPE requirement is essential to help ensure that a CPA stays current with the constantly changing standards of conduct, code provisions, and regulations governing the accounting profession. The only question that remained was -- "How much Ethics CPE should be required each calendar year?"

The Board considered the numerous discussions about ethics at the national level as well as action taken by other state boards of accounting. The Board decided that two (2) CPE credit hours of Ethics CPE each year were needed to stay abreast of changes. The Board also agreed that the 2 CPE credit hours could be split and presented in no more than two 1 CPE credit hours.

You may believe that you know what is required of you as a licensed CPA; however, every year the Board receives complaints from clients who believe that their CPA is unethical or unprofessional in providing accounting services., or is in violation of provisions in the Virginia Code or regulations. Ethics CPE will provide CPAs with the opportunity to receive an update on the changes and clarify any unclear issues.

Each year, the Board will provide an Ethics CPE outline of topics to be covered to CPE course providers. The objective is to cover changes in Virginia's statutes and regulations, the applicable standards of conduct, and issues that have come to the attention of the Board and others. The Ethics CPE may be presented as a standalone course or a provider may, for example, offer a course covering a specific topic, such as changes in the tax code, and add a standalone one or two hour session for Ethics CPE sometime during the course. The provider will follow the Board's outline and shall award a certificate to participants that reflects not only the CPE hours for the main topic covered but also the CPE hours awarded for Ethics CPE. Providers are not required to seek Board approval for the CPE courses that they offer; however, their material must state that the Ethics CPE covers the topics required by the Board for that year. (Cont'd on Page 5)

Volume 1, Issue 3

April 2004

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#### 2004

#### Board Meetings

- Thursday, May 6
- Wednesday, June 9
- Thursday, August 5

Meetings are currently held at the Holiday Inn, I-64 and W. Broad Street, Richmond, VA.

Meetings are open to the public. Locations and dates are subject to change, so please contact the Board office to confirm the date and time.

## MESSAGE FROM THE BOARD CHAIRMAN



Barbara S. Pocalyko, CPA

Chairman

Board of Accountancy

*The Board of Accountancy (BOA) is a state agency (supervisory board) of the Commonwealth of Virginia.*

*BOA was originally created in 1910 by the Virginia General Assembly. The Board's authority is found in Sections 54.1-4400 through 4422 of the Code of Virginia.*

*BOA is mandated to protect the health, safety and welfare of the public. The practices of Certified Public Accountants (CPAs) are regulated through the licensure process and CPA firms must register with BOA.*

*BOA is composed of seven members appointed by the Governor, which includes five licensed CPA members, one educator member, and one public citizen member.*

The National Association of State Boards of Accountancy (NASBA) is an umbrella organization comprised of the regulatory boards for our profession in all fifty states, Puerto Rico, and three US territories. In November, I was privileged to lead our Virginia delegation to NASBA's annual meeting, where the conference theme was "The Renaissance of Regulation." I must confess that as a Virginian, coming from a deeply business-committed commonwealth, I perceived that theme as something of a double-edged sword. I would have preferred emphasizing the renaissance of our profession as contrasted to the idea of increased regulation being a good thing. However, the reality of accountancy today is that we are now in an unremitting age of increased accounting regulation and transparency, the consequence of abuses and excesses both within and outside of our span of control as CPAs.

"Renaissance" has the meaning of rebirth and revival, but it is also descriptive of a movement and period of vigorous intellectual activity. And intellectual activity was truly in evidence at that gathering of regulators of the accounting profession.

The attendees, speakers, and discussion leaders represented 49 of the 54 State Boards of Accountancy in the US. Other participants included the AICPA, state CPA professional societies, the Public Company Accounting Oversight Board (PCAOB) created by the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission, foreign and domestic accounting organizations, many public accounting firms, accountants in public and private corporations, and representatives of higher education. Presentations and discussion topics of course included Sarbanes-Oxley and the Uniform Accountancy Act (UAA), but there were also detailed discussions about issues important to our profession like substantial equivalency, the new nationwide computer-based testing (CBT) for the CPA exam, the creation of a nationwide CPA licensee database, the state of our profession's ethics, and the processes of peer review. The excitement and amount of intellectual energy present at this renaissance was mind-boggling.

The common thread that I took away from these meetings is that our overarching common commitment is to restore the integrity of the accounting profession and the public's confidence in financial reporting.

I'd like to summarize for you three days' worth of conference in a few key points.

- The outgoing NASBA chair, Michael Conaway, spoke of us being equivalent partners with PCAOB and the SEC as they continue to implement Sarbanes-Oxley. He also spoke of our state boards' continuing strong relationship with the AICPA and the state CPA professional societies, especially as UAA standards of law and CBT are implemented.
- Scott Voynich, AICPA Chairman, talked about a renaissance of our core values. As your Board of Accountancy chairman, I most strongly endorse his comments: "Our core values of integrity, competence, and objectivity, our rock solid foundation, represent our strength and our solution.... Clearly, our charge is to work to enhance the hallmark, the value of the CPA as the most trusted advisor. But, always with the public interest in mind."
- The conference's keynote speaker was Kayla Gillan, a prominent California attorney and one of the five SEC-appointed members of the new Public Company Accounting Oversight Board in Washington. Her speech about the initial work of the PCAOB was appropriately titled, "Shaping the Renaissance of Regulation: A Journey of a Thousand

(Cont'd on Page 3)

**Howard L. Rogers, Board Member**  
Serves Virginia's Citizens

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On June 30, 2004, **Howard L. Rogers** will complete two successive four-year terms on the Board. It is unusual for members to serve more than two full terms but Mr. Rogers was originally appointed by Former Governor George Allen to serve in an unexpired term on October 26, 1995.

He was elected Vice-Chairman of the Board in 2002 and will complete his second term this year. Mr. Rogers has demonstrated a solid commitment to ensuring that Virginia citizens are protected through the least burdensome and restrictive regulation. He is a businessman himself and it is not uncharacteristic for him to point out that a regulatory proposal deserves a second look to determine the real cost to the citizens. Mr. Rogers is the owner of Straford Hills Cleaners in Richmond.

At present, Mr. Rogers serves on the Board of Directors of the Atlantic Rural Exposition, the Police Memorial Foundation for Henrico County, and the Metro Crime Stoppers. Previously, he sat on the Henrico County School Board, the Retail Merchants

Association's Board of Directors, the Henrico County Strategic Planning Team and was appointed by Governor Allen to the Blue Ribbon Strike Force.

His colleagues on the Board and the Board staff hold him in high esteem. His honesty, integrity, courage and good faith have been an asset to the Commonwealth. When he leaves the Board, he will be sorely missed by all.

**MESSAGE FROM THE BOARD CHAIRMAN**  
*(CONT'D FROM PAGE 2)*

Miles – Year One Report.” state boards will result in the healthiest of regulatory efforts.”

As practicing CPAs, we are experiencing a renaissance of regulation with rebirth, renewal, and the revival of professionalism. Scott Voynich summed it all up nicely, “With that renaissance comes the renewal and focus on our most important core value – integrity, the value that links the strength of our past to the promise of our future.”

Transcripts of the NASBA national conference remarks may be found at <http://www.nasba.org/nasbaweb.nsf/pub>.

NASBA's new chair, David Vaudt, spoke about what he called “Three Moves in the Right Direction.” In his judgment, which I share, they are: (1) the new computer-based testing for the CPA examination; (2) the general incorporation of Uniform Accountancy Act principles into the laws and regulations of many states; and (3) the re-evaluation of existing regulatory structures that is taking place today. He concluded that “close cooperative working relationships among the PCAOB, NASBA and the

*Barbara S. Pocalyko, Chairman of the Virginia Board of Accountancy, practices in Fairfax County*



*More Protection for Citizens  
Freedom of Mobility for  
CPAs  
More Uniform Standards*

*“I found particularly relevant was how PCAOB is discerning the factors of professionalism, specifically, ‘Tone at the top.’”*

**New Board  
Member Appointments**

**See BOA's  
Press Release at:**

**[www.boa.state.va.us](http://www.boa.state.va.us)**

**ATTN: CPE Providers**

The Ethics CPE course must include the latest updates in Standards of conduct and practice from professional and governmental bodies. Questions should be directed to the Board office.

**NEW COMPUTERIZED  
CPA EXAMINATION**

**APRIL 2004**

INFORMATION AND  
SAMPLE QUESTIONS  
NOW AVAILABLE AT:

**[WWW.CPA-EXAM.ORG](http://WWW.CPA-EXAM.ORG)**

**LICENSE REVOCATIONS:**

*Michael J. Dougherty  
Newport News, VA*

## FACT OR FICTION:

**It is August 2004 and you are employed as a CPA by a business where you do internal accounting work. You do not provide any accounting services for the public. You have completed your 10 hours of CPE for 2004. You took two 5-hour courses in tax accounting. You are in full compliance with the Board's CPE requirements and you need to do nothing more prior to 2005.**

## ANSWER: FICTION!

**You must complete 2 hours of Ethics CPE in 2004 to be in compliance which may be a part of the 10 hour minimum for 2004. Contact the Board office if you have questions.**

## A New Member's Reflections on the Virginia Board of Accountancy by O. Whitfield Broome, Ph.D., CPA

When I was first approached about being nominated for the Virginia Board of Accountancy, my first thought was "Interesting opportunity, but do I have the time to devote to such a demanding volunteer effort?" However, after carefully considering the importance of this service to the public and to the public accounting profession, I decided that I should not pass up the opportunity. Having served on the national CPA Board of Examiners, on the CPA Examination Review Board, and on the Examinations Committee for the National Association of State Boards of Accountancy, I felt that these experiences might be of value to the Virginia Board of Accountancy. I also had been disheartened by well-publicized accounting and auditing failures in the past several years and the resulting decline in respect for the public accounting profession. My desire to help restore the public's confidence and to support appropriate standards for licensure and conduct for CPAs led me to agree to be nominated. Having now served several

months on the Board, I am glad I made that decision.

My initial impressions of the work of the Board have been quite positive. I have observed dedicated Board members, a hard working staff, and a sense of pride in the Board's accomplishments in recent years. I have noted the careful effort that goes into handling complaints against CPAs and into investigating and deciding cases involving enforcement of laws, regulations, and standards. Much work has been devoted to keeping the Board's regulations up to date with developments in the licensure process and in the practice of public accountancy.

For example, the advent of the new computerized CPA examination has required a rewriting of the regulations to change the application process, conditioning requirements, and reporting of results. The Board has invested in new information technology to allow for better dissemination of information to regulants, for on-line renewals of licenses, and for better and more useful data

bases. In short, a very significant amount of good work has been accomplished, and more will be required.

As a new Board member, I still have much to learn. Along with my fellow Board members, I am committed to serving the public interest, to helping maintain appropriate education, examination, and experience qualifications for licensees, and to making sure regulants follow the standards and rules. All CPAs and CPA firms will benefit if we can maintain professionalism in practice and restore the public's confidence. I look forward to working as a Board member toward that result over the next four years.

*O. Whitfield Broome, Ph.D., CPA was appointed to a four-year term on the Board of Accountancy by Governor Mark Warner. on July 1, 2003*

**"In short, a very significant amount of good work has been accomplished, and more will be required."**

## Ethics CPE for CPAs and non-owner CPAs (Continued from Page 1)

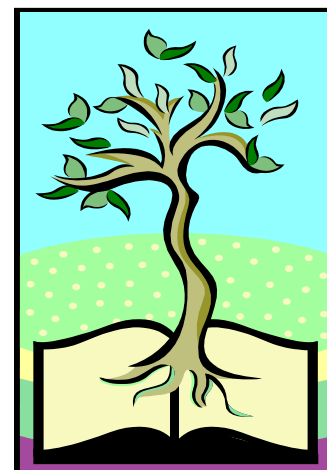
There is an effort among state boards of accountancy to eliminate the need to comply with multiple state CPE requirements. Virginia is again leading the nation towards that goal by including in the proposed regulations a provision that exempts a CPA from having to meet Virginia's CPE requirements, including the Ethics CPE, if the CPA has his principal office in another state and that state requires at least 120 CPE cred-

its during a three-year reporting period. The Board is willing to take this step because other state boards have or are planning to adopt similar rules.

If their principal office is in Virginia, all Virginia licensed CPAs using the CPA title and performing services for the public AND other than for the public, must comply by December 31 of each year, beginning in 2004.

The Board's PowerPoint presentation outline is available in PDF format to providers of Ethics CPE. It can be downloaded from the Board's website @ [www.boa.virginia.gov](http://www.boa.virginia.gov), or by contacting the Board office to request the file sent to you by e-mail as an attachment.

Your questions regarding the Board's new requirements should be sent to the Board, in writing, to the address (preferably the email address) on the back page of the newsletter.



***“The Board is willing to take this step because other state boards have or are planning to adopt similar rules.”***

### An Ethical Plea by Jeanne Grant, Enforcement Coordinator

At some time in your career, you may need to make a decision on the best approach to present a response to complaint that has been filed against you.

A principled plea to the Board may project the image that the respondent wishes the Board to receive.

If your tone is offensive, your brilliant reasoning or insistence of innocence may not persuade the Board. The message may be lost in the tone. A plea that is professional, moral, and fair-minded is a part of being ethical. Such a response to a complaint might include character references and

documentation of any recent ethics CPE completed by the respondent.

Therefore, one must build a respectable character from the disadvantageous position of having been accused of a possible violation by offering a needed explanation without sacrificing dignity.

Perhaps an important point to remember would be that any and all departures from regulations would necessitate the burden of proof on those who have been accused of a possible violation. How those facts are presented in the plea may influence the degree of ethical standards that has been set.

**NOTE:** CPA Examination Services, Inc., the CPA Examination vendor for the Board has indicated that the first Notices to Schedule (NTS) have been sent to candidates for the new computerized examination. If an NTS was issued on April 5, 2004, it would expire exactly six months later on October 4, 2004. That would mean that a candidate receiving the NTS issued on April 5, 2004, could test on weekdays from April 5 through May, during July, Aug and Oct until the end of the day on Oct 4, 2004 (2 windows and 1 partial window) if a seat is available. There will be a six-month expiration date on every NTS.

### It Makes Good Sense!

**Communicate effectively with clients.**

**Go the extra mile to avoid conflicts**

**Resolve disputes before they escalate into irreparable conflicts.**

**Evaluate the true cost of maintaining principle.**

**Follow through on promises.**

**Advise clients immediately of problems or delays.**

**Remember a complaint filed against you remains on your record permanently.**

### FACT OR FICTION?

Renewal notices are sent by electronic or postal mail to you at the last known address of record. Failure to receive a written notice does not relieve you of the requirement to renew and pay the required fees.

**ANSWER: FACT!**

**MARK YOUR  
RENEWAL DATE ON  
YOUR CALENDAR TO  
REMIND YOU!**



BOA IS ON THE WEB!  
WWW.BOA.STATE.VA.US

Board of Accountancy  
3600 West Broad Street, Suite 696  
Richmond, VA 23230-4916

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## BOARD OF ACCOUNTANCY

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CPA**  
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### Summary of Applications Processed

<u>2002/2003</u>	<u>Original</u>	<u>Endorsement</u>	<u>Firm</u>	<u>Reinstatement</u>	<u>Total</u>
July	43	13	14	23	93
August	45	12	6	27	100
September	49	11	25	18	103
October	81	13	22	21	137
November	29	18	17	21	85
December	81	17	24	24	146
January	64	11	17	18	110
February	44	11	11	15	81
March	99	14	8	30	151
April	79	15	4	24	122
May	95	15	14	23	147
June	84	14	59	34	191
Totals	793	164	221	278	1466

### Address changed?

You are required to notify the Board.  
It only takes a minute or two to use the convenient  
online address change link.

**Do it now !**